

DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

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May 19, 2008

Ms. Josephine B. Robinson, Director
Office of Community Services
Administration for Children and Families
U.S. Department of Health and Human Services
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

Dear Ms. Robinson:

The purpose of this letter is to submit a good cause waiver request to use 25 percent of Low-Income Home Energy Assistance Program (LIHEAP) funds for the 2008 Federal Fiscal Year for residential weatherization. State of California Government Code section 16367.5 mandates that California submit a weatherization waiver request each year. The following information is provided in compliance with the Code of Federal Regulations, Title 45, Part 96.83, regarding requests to increase the maximum amount that may be used for weatherization and other energy-related home repair.

(c)(1) The State of California desires to use 25 percent of its fiscal year 2008 LIHEAP allotment for weatherization.

(c)(2) The state does not meet two of the three criteria required for a standard waiver.

(c)(2)(i) In fiscal year 2008, the combined total (aggregate) number of households in the state that will receive LIHEAP heating, cooling, and crisis assistance benefits that are provided from federal LIHEAP allotments from regular and supplemental appropriations will be fewer than the combined total (aggregate) number that received such benefits in the preceding (2007) fiscal year.

(c)(2)(ii) In fiscal year 2008, the combined total (aggregate) amount, in dollars, of LIHEAP heating, cooling, and crisis assistance benefits received by the state's service population that are provided from federal LIHEAP allotments from regular and supplemental appropriations will be less than the combined total (aggregate) amount received in the preceding (2007) fiscal year.

(c)(2)(iii) All LIHEAP weatherization activities to be carried out by the state in fiscal year 2008 will produce measurable savings in energy expenditures.

The state uses weatherization installation and materials standards listed in Appendix A of the U.S. Department of Energy (DOE) weatherization regulations, 10 CFR Part 440, installation of materials meeting the specific standards incorporated by

Ms. Josephine B. Robinson
May 19, 2008

reference in Appendix A, and weatherization activities specifically allowed by official DOE correspondence and memoranda. The state is citing the above standards as the criteria under which its LIHEAP-funded weatherization activities have been shown to produce measurable savings. The U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, reports that on average, weatherization reduces heating bills by 32% and overall energy bills by \$358 per year.

(c)(3) With regard to criterion in paragraph (c)(2)(i), the state's best estimate of the appropriate household totals for the fiscal year for which the waiver is requested (2008) and for the preceding fiscal year (2007) are as follows:

HOUSEHOLDS			
Fiscal Year	Heating and Cooling	Crisis	Total
*2007	134,903	70,391	205,294
**2008	113,113	53,753	166,867

* Actual data.

** Actual and projected data.

(c)(4) With regard to criterion in paragraph (c)(2)(ii), the state's best estimate of the appropriate benefit totals, in dollars, for the fiscal year for which the waiver is requested 2008 and for the preceding fiscal year (2007) are as follows:

BENEFITS			
Fiscal Year	Heating and Cooling	Crisis	Total
*2007	\$36,860,813	\$36,371,479	\$73,232,292
**2008	\$30,159,816	\$28,621,719	\$58,781,535

* Actual data.

** Actual and projected data.

(c)(5) With regard to criterion in paragraph (c)(2)(iii), a description of the weatherization activities to be carried out by the state in fiscal year 2008 (with all LIHEAP funds proposed to be used for weatherization, not just with the amount over 15 percent), and an explanation of the specific criteria under which the grantee has determined whether these activities have been shown to produce measurable savings in energy expenditures, are provided in subsection (c)(2)(iii) in this letter.

LIHEAP weatherization services provide for the installation of energy conservation measures/services to improve both the energy efficiency, and the living conditions of dwellings occupied by low-income households. Services includes a comprehensive

assessment of the dwelling to identify any posing health and safety hazards and to determine the most cost effective energy conservation measures to improve the overall energy efficiency of the dwelling. Many low-income houses have old and poorly maintained space heating and water heating equipment, which can jeopardize the health and safety of occupants. Weatherization energy efficiency services can include: weatherstripping, insulation caulking, water heater blankets, heating/cooling system repairs, and a whole host of other measures to increase the dwelling's energy efficiency which produce an estimated annual energy savings of \$358. In accordance with the DOE guidelines, as referenced within subsection (c) (2)(iii) in this letter, CSD contractors will perform the following LIHEAP weatherization activities during fiscal year 2008.

1. Mandatory measures include:

- a) Dwelling assessment
- b) Combustion appliance safety testing
- c) Blower door testing
- d) Duck leakage testing
- e) Post weatherization inspections
- f) Carbon monoxide alarm
- g) Gas cooking appliance repair/replacement
- h) Gas water heater repair/replacement
- i) Heating source repair/replacement
- j) Attic venting
- k) Ceiling insulation
- l) Kneewall insulation
- m) Duct insulation
- n) Caulking
- o) Cover plate gaskets
- p) Duct and register repair/replacement
- q) Glass replacement
- r) Minor envelope repair
- s) Sliding glass door repair/replacement
- t) Weatherstripping
- u) Window repair/replacement
- v) Evaporative cooler/air conditioner vent cover
- w) Hot water flow restrictors: low-flow showerheads and faucet restrictors
- x) Water heater blanket
- y) Water heater pipe wrap
- z) Compact fluorescent lamps: thread-based and hard-wired
- aa) Electric water heater/replacement
- bb) Fluorescent torchiere lamp replacement
- cc) Refrigerator replacement

2. Optional measures include:

- a) Ceiling fans

- b) Air conditioner repair/replacement: wall, window and central
- c) Electric water heater timer
- d) Evaporative cooler repair/replacement
- e) Exterior pipe wrap
- f) Microwave oven
- g) Floor foundation venting
- h) Floor insulation
- i) Shade screens
- j) Shutters
- k) Storm windows
- l) Thermostats: manual and programmable
- m) Tinted window film

(c)(6) A description of how and when the proposed waiver request was made available for timely and meaningful public review and comment, copies and/or summaries of any comments received on the request (including transcripts and/or summaries of any comments made on the request at public meetings or hearings), a statement of the method for reviewing public comments, and a statement of the changes, if any, that were made in response to these comments, are included.

- o On May 19, 2008 a public notice was published in three newspapers to receive written comments on the draft request for a weatherization waiver in which the state is requesting to increase the LIHEAP weatherization component from 15 to 25 percent.
- o On May 19, 2008 notification was sent to the service providers advising them of the public notice and requesting them to post the public notice in a location that is accessible to the public for viewing, notification was sent to the major utilities advising them of the public notice, and the draft weatherization waiver request and the public notice were posted on the CSD website.
- o Interested parties were requested to submit written comments until 5:00 p.m. on June 2, 2008. (Indicate if written comments were received)

(e)(1)(i) For each criterion under paragraph (c)(2) that the state does not meet, an explanation of the specific reasons demonstrating good cause why the state does not meet the criterion and yet proposes to use additional funds for weatherization, citing measurable, quantified data, and stating the source(s) of the data used:

Under paragraph (c)(2) of Section 96.83, the state does not meet criterion (c)(2)(i) for the following reasons:

- o California operates on a calendar (January-December) year basis (also known as Program Year (PY)). As a standard practice, CSD enters into 12 month contracts with its service providers to ensure funds are available to support year round program services statewide. The statistical data used to support this waiver request and the completion of the 2007 Annual Household Report, includes the reporting of expenditures and household from the combined use of fiscal years 2006 and 2007 grant funds during the fiscal year 2007 grant period.

- In fiscal year 2006, CSD received an unprecedented amount of LIHEAP funding totaling approximately \$156 million, which included \$89 million in grant base level funding, \$63 million (one-time) in grant supplemental funding, and \$4.4 million in emergency contingency grant funding. In response to this unprecedented funding, the Department entered into 24-month contracts with its service providers to allow adequate time for service providers to build service capacity and expend the fiscal year 2006 funding. As illustrated in the following table, fiscal year 2006 funds used to provide LIHEAP services (excluding weatherization funded activities) in fiscal year 2007 accounted for approximately 43% of the total households and approximately 46% of the total funds expended. The carryover of fiscal year 2006 funds, resulted in an extraordinary increase in the number of households assisted in comparison to the average estimates for households assisted and funding expended under normal grant year allocation funding levels, and further serves as the primary reason for the significant reduction in assisted household numbers between fiscal year 2007 and fiscal year 2008.
- To further illustrate this point, a direct comparison of the PY07 funding totaling 38.8 million in relationship to the funding estimates for PY08 of \$40.6 million, results in a net difference of \$1,178,415. This difference in funding combined with adjustments to benefit levels for fiscal year 2008 (see benefit level discussion below), will result in an approximate number of 5,138 more households served in PY08 then served in PY07.
- As referenced in the fiscal year 2008 table below, the Department continues to expend a residual amount of fiscal year 2006 and fiscal year 2007 funds during the fiscal year 2008 period. As mentioned previously, the fiscal year 2006 grant supplemental funding expanded CSD fiscal resources to provide services to a greater number of eligible low-income households. The net results of these funds produced significant increases to household served during the calendar year periods covering 2006 – 2008. With the majority of these funds now expended, CSD anticipates it numbers for annual household served and program expenditures to return normal annual levels of 160,000 - 180,000 households assisted and \$54 - \$58 million in expenditures.

FEDERAL FISCAL YEAR 2007		
PROGRAM	Total Households	Dollars Expended
(Oct. 1, 2006 through Sept. 30, 2007)*		
PY 2006 Heating & Cooling	54927	\$15,686,547
PY 2006 Crisis	34106	\$18,691,641
PY 2006 TOTAL	89033	\$34,378,188
(Jan. 1, 2007 through Sept. 30, 2007)**		
PY 2007 Heating & Cooling	79976	\$21,174,265
PY 2007 Crisis	36285	\$17,679,838
PY 2007 TOTAL	116261	\$38,854,103

FFY 2007 TOTAL	205294	\$73,232,292
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*FFY 2006 actual households served and funds expended in FFY2007

**FFY 2007 actual households served and funds expended on calendar year basis

FEDERAL FISCAL YEAR 2008 (Actuals + Projections)		
PROGRAM	Total Households	Dollars Expended
(Oct. 1, 2007 through Sept. 30, 2008)*		
PY 2006 Heating & Cooling	4164	\$1,100,502
PY 2006 Crisis	1451	\$919,438
PY 2006 TOTAL	5615	\$2,019,940
(Oct. 1, 2007 through April 30, 2008)**		
PY 2007 Heating & Cooling	26983	\$7,310,072
PY 2007 Crisis	15991	\$8,819,003
PY 2007 TOTAL	42974	\$16,129,076
(Jan. 1, 2008 through Sept. 30, 2008)***		
PY 2008 Heating & Cooling	81967	\$21,749,241
PY 2008 Crisis	36311	\$18,883,277
PY 2008 TOTAL	118278	\$40,632,518
FFY 2008 TOTAL	166867	\$58,781,535

*FFY 2006 actual and projected households to be served and funding expended in FFY2008

**FFY 2007 actual and projected households to be served and funding expended in FFY 2008

***FFY 2008 actual and projected households to be served and funding expended on calendar year basis

Under paragraph (c)(2) of Section 96.83, the state does not meet criterion (c)(2)(ii) for the following reasons:

The estimated figures as referenced in (c)(5) is representative of the total estimated number of households to be served, and dollars to be expended through fiscal year 2008 (September 2008). As indicated in (e)(1)(i) above, the supplemental funding for FFY06 is a direct result of the decrease in fiscal year 2008 funding available for LIHEAP heating, cooling, and crisis assistance benefits.

(e)(1)(ii) A statement of the state's LIHEAP heating, cooling, and crisis assistance eligibility standards (eligibility criteria) and benefit levels for fiscal years 2007 and 2008; and if eligibility standards were less restrictive and/or benefit levels were higher in the preceding fiscal year for one or more of these program components, an explanation of the reasons demonstrating good cause why a waiver should be granted in spite of this fact:

Eligibility

For both fiscal years 2007 and 2008, the program eligibility standards remained the same. Program eligibility standards for heating, cooling, and crisis assistance is based on the household's total monthly gross income, which cannot exceed the HEAP/ECIP income guidelines. State of California Government Code section 16367.5 requires heating, cooling and crisis assistance to be made available to households with incomes that do not exceed the greater of 150 percent of the Federal poverty income guidelines or an amount equal to 60 percent of the state's median income.

Benefit Levels

As a reference, the state's heating and cooling assistance (HEAP) program has two components: electric and gas assistance payments and energy assistance with wood, propane, or oil (HEAP-WPO). The state's crisis program (ECIP) has three components: electric and gas crisis assistance payments (known as Fast Track), Heating and Cooling repair and /or replacement services (ECIP-HCS), and energy assistance with wood, propane, or oil services (ECIP-WPO).

In determining benefit levels the heating and cooling, and crisis assistance programs several factors are considered to include the number of persons in the household, total household income, the cost of energy within the county the household resides, cost of repair or replacing heating or cooling appliance, and funding availability. In fiscal year 2008, the heating and cooling assistance benefit levels is projected to decrease and crisis benefit levels are projected to increase in comparison to fiscal year 2007.

FFY	Heating & Cooling Expended	Heating & Cooling Households	Average Benefit Levels
07	\$36,860,813	134,903	\$273
08	\$30,159,816	113,113	\$266
FFY	Crisis Expended	Crisis Households	Average Benefit Levels
07	\$36,371,479	70,391	\$516
08	\$28,621,719	53,753	\$532

- As mentioned previously, the State's heating and cooling program has two program components to include HEAP and HEAP WPO. The following represents a comparison of the benefit levels for each component for fiscal year 2007 and fiscal year 2008 to demonstrate why a decrease in benefits occurred:
 - HEAP: In fiscal year 2007, the statewide average level of assistance was \$270 based on 128,882 households assisted and \$34,890,434 funds expended . In fiscal year 2008, the estimated statewide average level of assistance is estimated at \$261 based on 108,733 households assisted and \$28,464,773 funds expended.
 - HEAP WPO: In fiscal year 2007, the statewide average level of assistance was \$327 based on 6,021 households assisted and 1,970,377 funds expended. In fiscal year 2008, the estimated statewide average level of assistance is estimated at \$387 based on 4,380 households assisted and \$1,695,043 funds expended.

The decrease in heating and cooling benefit levels in fiscal year 2008 is a result of greater levels of participation among working class low-income families representing households with moderate to high incomes. The department's benefit level formula structures benefit as to ensure households with highest incomes receive the highest possible benefit. Therefore, due to the influx in participation numbers for households representing this segment of the eligible low-income population resulted in the issuance of a larger than normal number of energy subsidy benefits below the state average.

- Throughout various regions of the state, many households rely on wood, propane, and oil as a primary heating fuel. Unfortunately, the commodity market for these fuel types is non-regulated, thus subject to severe pricing volatility. To account for this market instability, benefit levels for HEAP WPO assistance is determined at the local level. Given the rising prices for diesel and gasoline prices, it is inevitable that the costs to deliver and provide WPO heating fuels will rise dramatically. Therefore, the department anticipates the average for HEAP WPO assistance to well exceed the \$387 benefit level projection for fiscal year 2008.
- Additionally, a survey conducted in fiscal year 2007 with California natural gas and electricity service providers requesting statistical data and information specific to energy usage and cost data for natural gas and electric residential utility services. The statistical information is used by the state to assess potential need for energy assistance and serves as one of the main considerations in structuring subsidy benefit levels for natural gas and electric energy assistance under LIHEAP. The energy survey identified an approximate 11% percent increase in natural gas prices and energy forecasts projected above normal demand for natural gas usage during the heating season for fiscal year 2008. As a result, benefit levels for heating and cooling and crisis services in fiscal year 2008 may result in higher benefit levels than estimated in the table above.

(e)(1)(iii) A statement of the state's opening and closing dates for applications for LIHEAP heating, cooling, and crisis assistance for fiscal years 2007 and 2008, and a description of the state's outreach efforts for heating, cooling, and crisis assistance in fiscal years 2007 and 2008, and, if the state's application period was longer and/or outreach efforts were greater in federal fiscal year 2007 for one or more of these program components, an explanation of the reasons demonstrating good cause why a waiver should be granted in spite of this fact:

The state operates its heating, cooling and crisis assistance programs on a calendar year basis. The opening and closing dates for these programs have remained consistent since January 1, 1996. The HEAP (heating/cooling) program opens on January and closes on December 31, and the crisis program (ECIP) opens in January and depending upon local determination by each of the local service providers, closes between March 15 and December 31. For LIHEAP calendar year 2008, the state will continue to operate on the normal calendar year operation (January through December) for the heating/cooling and crisis assistance programs.

Ms. Josephine B. Robinson
May 19, 2008

Because the heating, cooling, and crisis assistance programs are administered at the local level, the outreach efforts are the sole responsibility of the LIHEAP provider agencies. Outreach efforts have remained relatively consistent since 1998 and vary by agency. The majority of the outreach efforts consists of flyers, newspaper advertisements, public service announcements, and word of mouth.

(e)(1)(iv) If the state took, or will take, other actions that led, or will lead, to a reduction in the number of applications for LIHEAP heating, cooling, and/or crisis assistance, from fiscal years 2007 and 2008, a description of the actions and an explanation demonstrating good cause why a waiver should be granted in spite of these actions.

A description of the actions and an explanation demonstrating good cause is provided in subsection (e)(1)(i) in this letter.

In addition to the preceding information as noted on subsections (c)(1) through (e)(1)(iv), as required by federal regulation, there are other reasons why the state is requesting to use 25 percent of the LIHEAP allotment for weatherization. In fiscal year 2007, the state conducted a survey with California natural gas and electricity service providers requesting statistical data and information specific to energy usage and cost data for natural gas and electric residential utility services. The statistical information is used by the state to assess potential need for energy assistance and serves as one of the main considerations in structuring subsidy benefit levels for natural gas and electric energy assistance under LIHEAP. The energy survey identified an approximate 11% percent increase in natural gas prices; and energy forecasts projected above normal demand for natural gas usage during the heating season for fiscal year 2008. The increase in the average residential energy usage and the approximate 11% percent increase in natural gas prices for fiscal year 2008, will have a long-term affect on the households we serve.

While the state remains cognizant of the increasing energy needs of California's low-income population, great consideration has been taken on the overall benefits achieved in weatherizing a home: safely increasing the efficiency of home energy consumption, thus lowering home energy bills and making homes more comfortable. Weatherization continues to be the primary goal in assisting eligible households to meet the costs of home energy. The long-term benefits of weatherization and related activities, such as educating consumers on energy saving measures, continue to be researched and validated by organizations such as the DOE, Office of Energy Efficiency and Renewable Energy, as referenced previously in this letter.

I trust this information is sufficient to enable the Office of Community Services to grant a waiver to the State of California to increase its weatherization to 25 percent for a program that provides meaningful, long-term benefits to California's low-income households. If you

Ms. Josephine B. Robinson
May 19, 2008

have any questions, please contact Mr. Jayson Wimbley, Division Chief, Energy and Environmental Services Division at (916) 341-4356 or by E-mail at jwimbley@csd.ca.gov

Sincerely,

Lloyd Throne
Director

Attachments

DRAFT